

RUBIN AND RUDMAN LLP

COUNSELLORS AT LAW

50 ROWES WHARF ? BOSTON, MASSACHUSETTS 02110-3319
(617) 330-7000 ? FACSIMILE: (617) 439-9556 ? FIRM@RUBINRUDMAN.COM

Andrew J. Newman
Direct Dial: (617) 330-7031
E-mail: anewman@rubinrudman.com

April 9, 2003

BY HAND

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: Massachusetts Electric Company– DTE 00-67

Dear Secretary Cottrell:

This letter is submitted on behalf of Alternate Power Source, Inc. ("APS"), a small independent competitive marketer of electricity registered in the Commonwealth.

On April 3, 2003, Massachusetts Electric Company and Nantucket Electric Company ("Mass Electric") filed with the Department of Telecommunications and Energy in DTE No. 00-67 to implement a Standard Offer Service Fuel Adjustment ("SOSFA") of \$0.00902 per kWh for effect May 1, 2003.

The filing letter indicates that the SOSFA was calculated in accordance with the methodology approved in the Department's letter order dated December 4, 2000, in DTE 00-67 and is identical to filings being presented by NSTAR Electric in DTE 00-70 and Fitchburg Gas and Electric Company in DTE 00-66.

APS acknowledges that the calculation of the SOSFA by Mass Electric is in accordance with the December 4, 2000 letter order, "using the most recent twelve months of data..." at 15. However, APS suggests that use of historical data during a period of rising fuel costs understates the actual market cost of standard offer power. Moreover, when fuel prices return to more normal levels use of twelve months of historical data for the SOSFA overstates the actual market cost of power. The only condition under which use of historical data properly reflects the market cost power is when fuel costs are stable and do not vary up or down. It is clear that we are not in such a climate for fuel prices. Thus, continued use of historical data to establish the SOSFA will give customers inaccurate price signals.

The Mass Electric filing, Attachment 2, page 4 provides information of the estimated fuel index cost. For the period May-September 2003 the monthly average cost is 1.55¢ per kWh. For the period October-December 2003 the monthly average cost is 1.767¢ per kWh. For the period May-December 2003 the monthly average cost is 1.633¢ per kWh.

APS urges the Department to reject use of historical data which will allow recovery of only 0.902¢ per kWh during this period which is substantially under the estimated current cost. The Department should use forecasted data for the SOSFA in the same manner as the Department uses such data for the Cost of Gas Adjustment Clauses for local gas distribution companies. The Department can order the electric companies to submit modifications to the SOSFA when there is a change in fuel costs that creates a significant under or over-collection of costs.

Use of forecasted data for the SOSFA more accurately reflects the current market price for power and will help create a smooth transition to the competitive market. It will also avoid creation of significant deferred costs as we approach the end of the transition period.

Accordingly, APS suggests that the SOSFA should be set at 1.633¢ per kWh, the average forecasted fuel adjustment cost through December 2003, rather than 0.902¢ per kWh. Even with this increase in the SOSFA, Mass Electric will have an increase in its current standard offer service deferral balance of approximately \$25 million, but less than the forecasted deferral of \$73.1 million through the end of September 2003.

Very truly yours,



Andrew J. Newman

AJN/lms

cc: Jeanne Voveris, Hearing Officer
Amy Rabinowitz, Esq.
Robert Werlin, Esq.
Scott Mueller, Esq.
Joseph Rogers, Esq.
Hon. David O'Connor,
Commissioner, DOER